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C O N F I D E N T I A L GUATEMALA 001411

SIPDIS

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TAGS: [ENRG](#) [EPET](#) [PREL](#) [PGOV](#) [VE](#) [GT](#)

SUBJECT: SKEPTICAL GUATEMALAN DELEGATION TO CARACAS TO
EXPLORE "OFFER" OF CHEAP PETROLEUM

REF: 2004 GUATEMALA 2126

Classified By: EconCouns Steven S. Olson for reason 1.5 (b) and (d)

1. (U) A Guatemalan delegation consisting of Minister of Energy and Mines Luis Ortiz, congressional Energy Commission chair Mynor Lopez, and Finance Committee chair Victor Ramirez departed Guatemala the afternoon of June 2 to pursue a public offer of significantly lower petroleum prices made by Venezuela's charge d'affaires in Guatemala. There had been talk of such a delegation in the latter part of May, but government sources told the press that the visit was not going to happen. Critics from the left berated the government for not taking up the Venezuelan offer of "Bolivarian" solidarity, while business-savvy commentators played around themes of "no free lunch." The decision to make the trip was a surprise.

Going Through the Motions to Silence the Critics

2. (C) EconCouns spoke with Lopez by phone as the congressman prepared to board the flight to Caracas. Lopez said he had no expectations of getting anything out of the Venezuelans, but the government and congressional leaders were being pilloried by far-left columnists and activists for not taking Venezuela up on its offer. He said that there was no mainstream interest in government-to-government deals under the San Jose or Caracas accords and no prospect of getting discounts for the private sector. Rumors of a \$15 per barrel discount were absurd. He said that the easiest way to turn off the criticism was to go, listen, and come back and report that -- as anticipated -- there was nothing worthwhile on offer. The group plans to return on Sunday, June 5.

May Be Able to Help Duke with Orimulsion

3. (C) Lopez said that he was aware of worries that Venezuela would not renew its contract to supply emulsified super-heavy crude (orimulsion) to Duke Energy's Guatemalan electrical power plant. Duke had switched its plant to using orimulsion instead of coal in 2004 (refTel) and is now one of the lowest cost producers of energy in the country. Duke hears that Venezuela has committed to sell all of its orimulsion production to the PRC as the result of recent visits by Chinese leaders. Accordingly, Venezuela's PDVSA will not renew contracts to supply Duke in 2006, leaving Duke without a source of fuel for its cutting edge furnaces. Canadian and Italian firms have also developed technology to burn orimulsion directly and also face losing their fuel supply, according to a Duke contact. Lopez says his group will lobby for continuing the orimulsion sales to Guatemala on grounds that it facilitates relatively cheap electricity for the poorest Guatemalans via the country's special "social tariff" for those with low monthly electricity consumption. He thought that the appeal to "solidarity" with the poor might work in this case. If successful, it would also help show that the authorities were doing what they could to mitigate rising energy costs.

4. (C) Comment: Minister Ortiz has close links to the conservative Campollo family's sugar mills and electrical co-generation plants; Lopez is economically literate and a stalwart of the center-right PAN; and Ramirez, while more of a political animal than the other two, is from the pro-business ruling GANA coalition. They are unlikely to be swayed by "Bolivarian" nonsense, though we doubt they would turn down a sweet business deal if one, unexpectedly, were offered. We will follow up with them upon their return to see what actually happens. End Comment.

HAMILTON